

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: 1998-99 Business Plan

ITEM NUMBER: 9

ATTACHMENT(S): 3

ACTION: X

DATE OF MEETING: August 5, 1998

INFORMATION: _____

PRESENTER(S): Mr. Mosman

The proposed 1998-99 Business Plan reflects only modest changes from the prior year plan. It is clear that two major efforts will dominate the new fiscal year.

- 1) START and related technology issues (e.g., Y2K and STRSNet)
- 2) Legislative efforts to improve upon STRS benefits

Both of these efforts are well known to the Board and will continue to have very high visibility and require close Board scrutiny. Because of the sheer amount of staff resources needed in the coming year to work on START and to prepare for possible legislation, no other major initiatives will be undertaken.

In the START arena, if the current schedule holds, all deliverables from the contractor, SPL World Consulting, will be in STRS' possession by the end of the fiscal year. The testing of these deliverables will require a major logistical effort and redirection of resources from line programs. Frankly, the main objective is simply to hold production levels constant during this phase of START. This, itself, will be a significant accomplishment. During the previous major data processing conversion, significant backlogs developed in various program areas which required several years of intensive effort to overcome. STRS management will strive to avoid such an outcome as START is launched.

In the legislative arena, the first ninety days of the new fiscal year could produce the most significant changes to STRS' basic benefit plan since the early 1970's. Several significant benefit enhancement bills are moving through the Legislature, although their ultimate fate is not predictable at the moment. The fate of Elder Full Funding is linked to the passage of most of the significant benefit bills, although it is possible that some benefit improvements could be enacted with the issue of Elder Full Funding still unresolved. Final resolution of the State 1998-99 budget should provide clear direction as to whether Elder Full Funding issues will be resolved in the current fiscal year or will be put off until the next fiscal year.

If significant legislation regarding STRS benefits cannot be achieved in the next ninety days, then the focus will immediately shift to the new legislative session which will commence in January. If unresolved this year, the arrival of a new administration may have some impact on the ultimate resolution of STRS issues. The first six months of 1999 should provide STRS with some indication of where a new administration would position itself relative to STRS' issues, particularly if Elder Full Funding is still an outstanding issue.

A copy of the complete 1998-99 STRS Business Plan will be available to the Board in the next thirty days. Three excerpts of the Plan, which represent its core, are set forth herein as follows:

- 1) Challenges for the New Fiscal Year
- 2) STRS' Major Strategic and Technical Projects
- 3) 1998/99 Production Objectives

Staff will discuss each of these components at the Board meeting.

It is clear that some key elements of the Business Plan should be re-visited by the Board and staff at some point in either 1998-99 or early in the next fiscal year. The System's basic Mission Statement needs to be reviewed by the Board to insure that it is consistent with other parts of the Plan. Challenges confronting the System need to be updated and consolidated in many cases.

RECOMMENDATION

Staff recommends that the Board approve the proposed 1998-99 Business Plan.

CHALLENGES

EXECUTIVE/LEGISLATIVE

- A. Increasing federal legislative and regulatory mandates affecting public pension plans (i. e. Social Security, plan qualification, taxation of benefits and pension portability)**
- B. Changes in public schools funding and laws governing school districts.
- C. Changes in the retirement plan, including new benefit programs and alternative plan structures.**
- D. Threats to the continued General Fund appropriation (i. e., Elder Full Funding, Purchasing Power)**
- E. State-mandated administrative changes.
- F. Creation of plans which may undermine STRS benefit plan.

FUNDING

- G. Potential impacts on plan funding including fluctuations in economic conditions and funding sources.
- H. Limitations on funding for increased level of benefits.**
- I. Potential for insufficient enrollment in alternative plans (i. e., Cash Balance Plan).**

CLIENTELE

- J. Changes in membership – growth/decline, diversity, expanding classifications, longevity, and family structures.
- K. Changes in client expectations and needs.**
- L. Increasing influence of advocacy groups upon programs, services and operations.**
- M. Potential for insufficient participation in the 403B supplemental plan.

ORGANIZATION

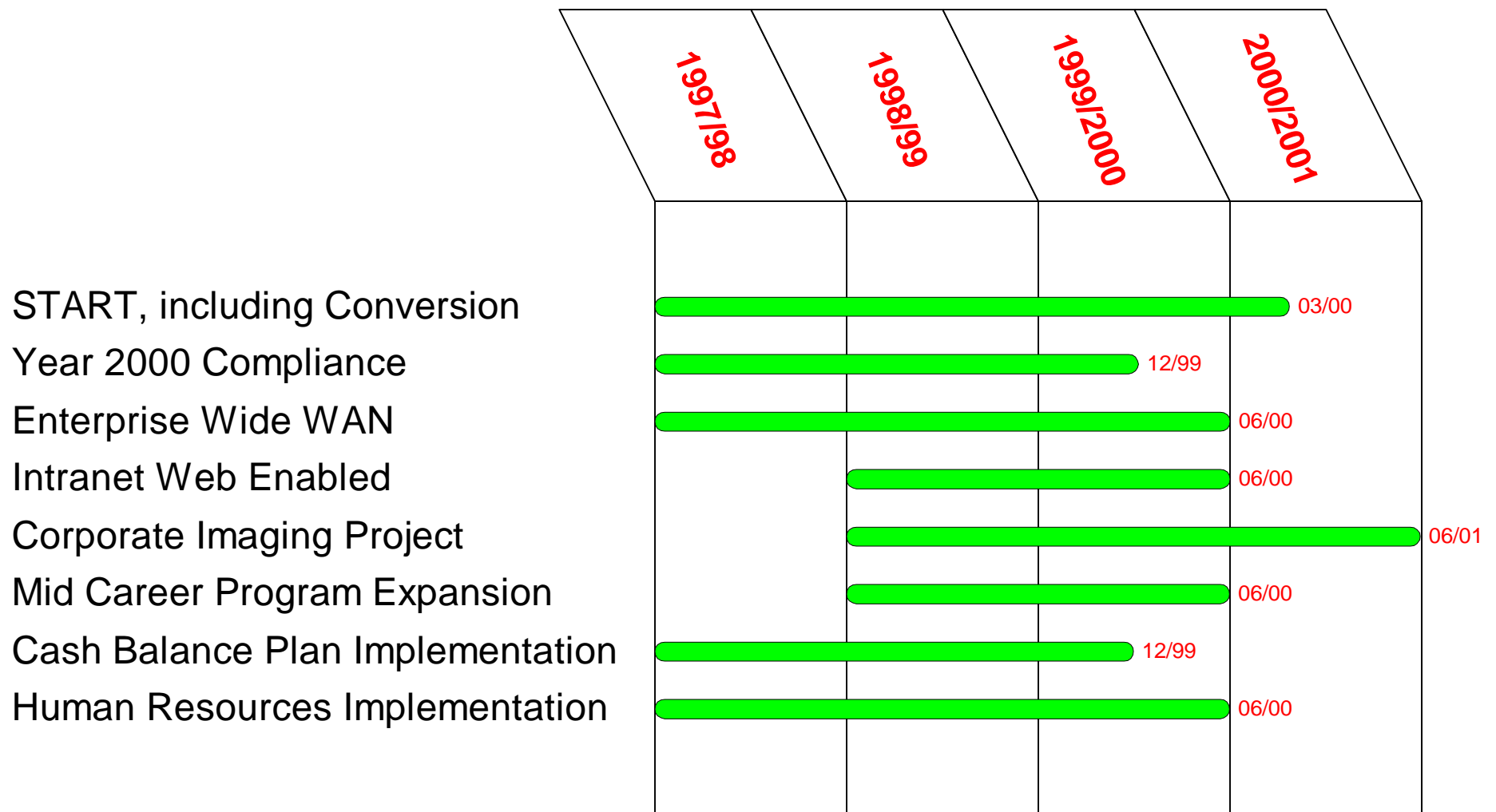
EXTERNAL

- N. Changes in placement and regulatory control of STRS within State Government (e. g., Proposition 162).
- O. Competitive forces dictating the need to provide products and services in a more cost-effective manner.
- P. Technology and business methodologies that require radical/significant modification of existing business processes (i. e., Year 2000 Compliancy issues, Internet).**

INTERNAL

- Q. Advances and changes in technology and business methodologies that could improve or dramatically change operational processes.**
- R. Evolving organizational size and structure to conform with changes in STRS programs, processes, and delivery of services.
- S. Increasing demand for staff who are trained, empowered, equipped, and physically located to meet changing operational requirements.**
- T. Ensuring an organization structure that supports customer driven products and services with a well defined effective and efficient business methodology.
- U. Opportunities for improvement as expressed in the employee survey.

STRS' STRATEGIC & TACTICAL PROJECTS



STRS 1998/99 PRODUCTION OBJECTIVES

SERVICE RETIREMENTS

- T** *Process 100 percent of all service retirement application payments within 30 days of the retirement effective date or receipt of completed application, whichever is later.**
- T** *Complete 100 percent of all final service retirement payments within 45 days of receipt of all necessary information.**
- T** *Finalize 90 percent of all service retirement payments within four months of the retirement effective date.*

SURVIVOR BENEFITS

- T** *Process 95 percent of all applications within 30 days of receipt of all necessary information.**
- T** *Complete 95 percent of all death benefit payments for retired members within 90 days of receipt of notification of death.*

DISABILITY SERVICES

- T** *Process 100 percent of all eligible applications within 180 days of receipt.*
- T** *Process 95 percent of all approvals within 30 days of receipt of all necessary information.*
- T** *Process 100 percent of all initial payments within ten working days following the latter of the disability approval date, disability effective date or receipt of all necessary information.**

PUBLIC SERVICE

- T** *Answer 95 percent of all calls in less than three minutes.*
- T** *Answer 95 percent of all calls on the first contact.*
- T** *Respond to 90 percent of all correspondence in ten working days.*

REGIONAL COUNSELING SERVICES

- T** *Conduct 400 workshops.*
- T** *Provide 22,000 retirement interviews.*
- T** *Deliver 30 mid-career programs to STRS members.*

* The accomplishment of this objective will minimize interest penalty payments resulting from processing delays.

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- T *Complete 95 percent of all death benefit payments for retired members within 90 days of receipt of notification of death.*
- ~~T *Complete 100 percent of all death benefit payments for active members within 90 days of receipt of notification of death.*~~

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- T *Process 100 percent of all eligible applications within 180 days of receipt.*
- T *Process ~~85~~ 95 percent of all approvals within ~~90~~ 30 days of receipt of ~~application~~ all necessary information.*
- T *Process 100 percent of all initial payments within ten working days following the ~~date the disability is approved~~, the **latter of the disability approval date, disability** effective date or receipt of all necessary information ~~whichever occurs last~~.**

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